

28 March 2003

Dr J Carter
Acting Committee Secretary
Joint Committee of Public Accounts and Audit
Parliament House
CANBERRA ACT 2600

Dear Dr Carter

Review of Draft Financial Framework Legislation Amendment Bill

Please find enclosed the ANAO's response to the three questions taken on notice by ANAO's observers at the hearing on 7 March.

If you have any questions please contact Mr David Crossley on 02 6203 7663.

Yours sincerely

Warren Cochrane
Acting Deputy Auditor-General

Joint Committee of Public Accounts and Audit

ANSWERS TO QUESTIONS ON NOTICE

**Portfolio: Prime Minister and Cabinet
Agency: Australian National Audit Office**

Inquiry into Financial Framework Legislation Amendment Bill

Topic 3 – Replacement of references to payments to the consolidated revenue fund with references to payments to the Commonwealth

Member:

Mr Charles

Hansard Page:

PA 25

Question

Would the Audit Office please tell us whether you agree it is appropriate that the bill contain provisions requiring entities that are legally separate from the Commonwealth, but which collect public money, to pay the money to the Commonwealth?

Answer:

The ANAO agrees that it is appropriate the bill contains a provision relating to these payments to the Commonwealth, for two reasons.

Firstly, it is a measure of internal control over public moneys collected by a body that is separate from the Commonwealth to have those moneys paid to, and therefore recorded in, the accounting records of the Commonwealth.

Secondly, the provision would be necessary to the extent that moneys collected on the Commonwealth's behalf are to be spent under an appropriation exercised by a body other than the body collecting the moneys.

Joint Committee of Public Accounts and Audit

ANSWERS TO QUESTIONS ON NOTICE

**Portfolio: Prime Minister and Cabinet
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Inquiry into Financial Framework Legislation Amendment Bill

Topic 3 – Replacement of references to payments to the consolidated revenue fund with references to payments to the Commonwealth

Member:

Mr Charles

Hansard Page:

PA 28

Question

Are private sector agents of the Commonwealth or Commonwealth entities which are not subject to the FMA Act or the CAC Act, that collect moneys on behalf of the Commonwealth, able to be audited by the Auditor-General

Answer:

For the purposes of our response, the term ‘agent or entity collecting money on behalf of the Commonwealth’ has been interpreted as including any body which is involved in the collection of Commonwealth moneys. Examples might include private sector estate agents managing property on behalf of a Department or a small business withholding goods and services tax on behalf of the Australian Taxation Office. Regardless of the specific circumstances, if the body collecting the money is not a Commonwealth Agency, Authority or Company (as defined by the FMA and CAC Acts), it does not fall within the audit mandate of the Auditor-General.

However, during the course of conducting a performance or financial statement audit of a Commonwealth entity, the ANAO has the power to collect oral or documentary information from relevant third parties, where necessary. As the Committee is aware, in the ordinary course of events the ANAO would obtain this information through the audited entity.

Joint Committee of Public Accounts and Audit

ANSWERS TO QUESTIONS ON NOTICE

**Portfolio: Prime Minister and Cabinet
Agency: Australian National Audit Office**

Inquiry into Financial Framework Legislation Amendment Bill

Topic 5—Delegation powers from the finance minister for approving money raising, investments and guarantees

Member:

Mr Charles

Hansard Page:

PA 39

Question

Does the ANAO have a view about the additional delegation of powers proposed in the Bill?

Answer:

The additional delegations of powers will be to an ‘official’ within the meaning of the FMA Act in relation to the power to approve money raisings and giving guarantees, being

- Approval powers, under 26 enabling Acts, to be transferred under the Bill from the Treasurer to the Finance Minister
- Approval powers, which the Finance Minister already has, in two pieces of legislation (the *Health Insurance Commission Act 1973* and the *Sydney Harbour Federation Trust Act 2001*)

The FMA Act defines an official as a person who is in an Agency or is part of an Agency.

Delegations are formal mechanisms which provide convenience and practicalities in the exercise of a power but which should also address the risks and responsibilities inherent in that power.

Delegations should be made to persons or positions at an appropriate level of responsibility. As a matter of sound risk management, these factors should be considered in making delegations.